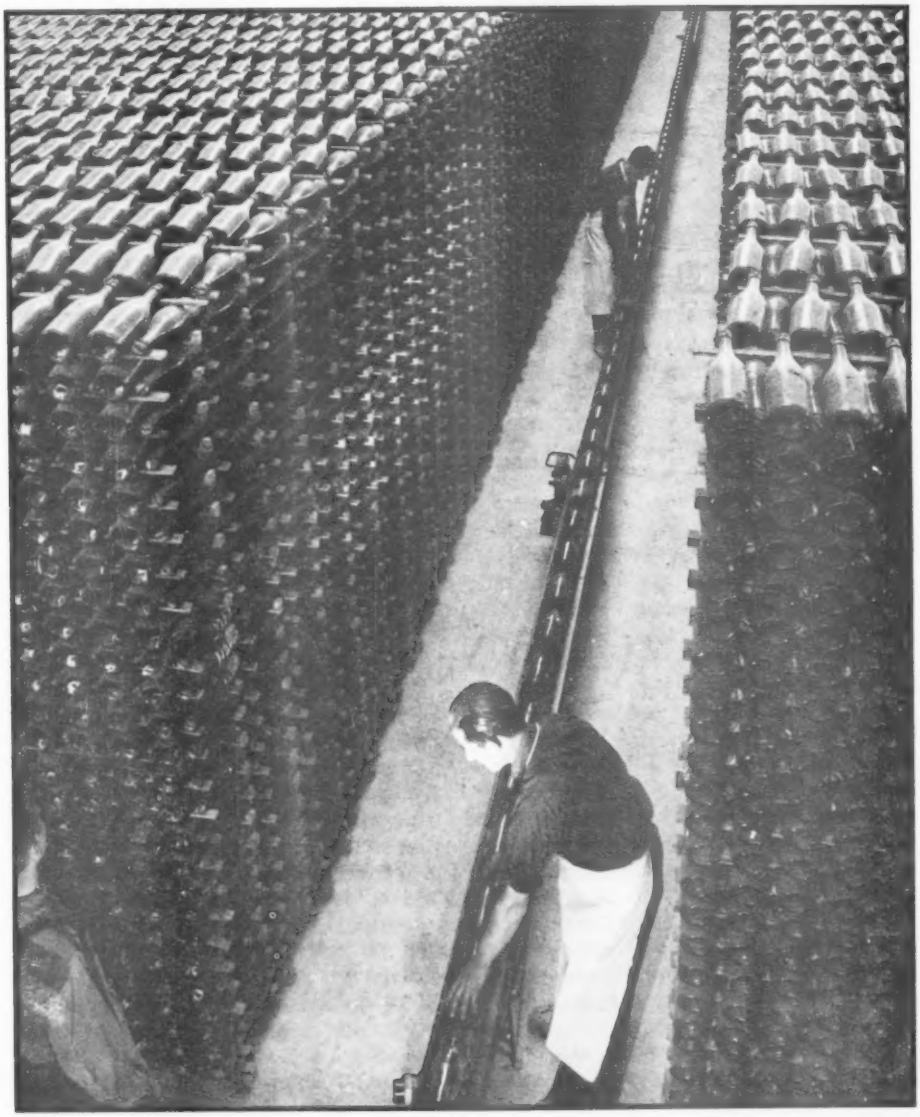
Foreign Agriculture

January 8, 1979

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE



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Spanish winery workers turn bottles of sparkling wine to cause sediment to settle. Later, sediment will be removed and bottles recorked.

World Oilseed and Meal Output To Be Up In 1979, but Rate of Gain Will Be Less

By Alan Holz

Although world oilseed and meal output and exports are expected to be at record levels in 1979, the gains are anticipated to be substantially below those of 1978. In the United States, combined exports of oilseeds and meal may remain near the record volume of 1978. In the oil sector, new records are expected for potential world oil production and trade in 1979.

World oilseed and meal production and exports are expected to establish record highs of 83.7 million tons and 40.7 million tons, respectively, in 1979; however, the gains may be substantially less than those of 1978.

Reflecting expanded oilseed plantings in Brazil, Argentina, and Canada, as well as expected improvement in 1979 Brazilian soybean yields following last year's drought, foreign availabilities of oilseeds and meals for export will likely recover following below-trend performance during the past 2 years.

In 1978, apparent foreign consumption of meals was sharply up because of markedly increased supplies at lower prices, resulting in a large gain in U.S. exports. This prevented a glut in carryout stocks of soybeans this fall. However, foreign stocks in key exporting countries, such as Brazil, are now nearly depleted. As a result, foreign meal customers must now depend largely on U.S. supplies until Southern Hemisphere 1979 crops become available in March-April 1979.

Growth in foreign demand for meal in 1979 is expected to be significantly less than in 1978, partially because of somewhat higher prices (as well as a higher meal/grain price ratio) in countries outside the European Community. Some of the expansion in 1979 foreign meal production likely will remain in the producing countries to replenish stocks.

Combined U.S. exports of oilseeds and meals, in terms of soybean meal equivalent (SME), may remain near 1978's record volume of 22.3 million tons. Since 1965, combined U.S. exports of oilseeds and meals failed to grow in only 1 year—1975—when the export decline was more a result of reduced U.S. availabilities and a decline in foreign consumption of meal rather than increased foreign competition.

Indications of sharply below-trend growth in potential U.S. meal production and strong export demand are expected to prevent an excessive accumulation of U.S. soybean stocks.

Although potential world meal output is expected to continue above trend in 1979, prices are expected to remain above those of a year ago, reflecting weakness in the value of the U.S. dollar relative to several major foreign currencies. This has cheapened the price for U.S. products to foreign consumers in terms of their own currency.

In addition, animal numbers in most foreign markets have expanded and livestock feed profitability ratios continue to be favorable. Also of key importance is that at current prices, meal in the European Community still is priced very competitively in relation to grain.

More than 80 percent of the growth in world meal production and 70 percent of the growth in world exports will be in the form of soybeans and meal. The lion's share of the gain in exports will likely be in soybeans, since crushing margins are favorable and European crushing capacity is expanding.

In the oil sector, new records are expected to be set in 1979 both for potential world oil production (55 million tons) and trade (19 million tons). The expected gain in world output, although above-trend, will likely be less than one-half that attained in 1978 and less than two-fifths of the record increase registered in 1976.

All of the gain will be in the foreign sector with potential U.S. oil output expected to dip slightly, reflecting reduced estimates for animal fats and cottonseed oil production. The expansion in foreign oil output includes soybean oil from 1979 crops in Brazil and Argentina, 1978 crop rapeseed oil in Canada, 1978 peanut oil in Senegal, and 1979 palm oil in West Malaysia, Indonesia, and the Sabah in Malaysia.

World exports of fats and oils, including the equivalent of oilseeds, in 1979 are forecast to register their fourth, consecutive above-trend gain. All of the gain in world exports is expected to be in the foreign sector. Although U.S. trade is expected to decline slightly following the sharp gain achieved in 1978, the export volume anticipated would still be above-trend for the third consecutive year.

Increased movements of soybeans and oil, in terms of oil, are expected to account for over one-third of the gain in world exports of oilseeds, oils, and fats. Most of the other gains expected in oil exports will be as palm, rapeseed, peanut, and sunflowerseed oils. However, exports of coco-

NOTE: Data compiled as of November 6, 1978. Production estimates are calculated from assumed extraction rates applied to that portion of each crop available for crushing and/or export and not actual crushings. Therefore, they represent potential, rather than actual product output. Production for 1979 includes the product equivalent of Northern Hemisphere crops harvested in the second half of 1978 combined with estimates of Southern Hemisphere crops to be harvested in the first half of 1979. Production estimates for animal fats, palm, and marine products are reported on a calendar year. All meal data are reported in terms of soybean meal equivalent (SME) at 44 percent protein. All trade statistics are compiled on a calendar year basis.

The author is an agricultural economist, Oilseed and Products Division, Commodity Programs, FAS. This article is based on a speech delivered at the National Food and Agricultural Outlook Conference, Washington, D.C.

nut oil and tallow and greases will likely decline from their 1978 levels.

Unless oil imports by India, the People's Republic of China, and other developing countries continue to expand significantly, the meal sector is expected to be the pacesetter in the world oilseed complex.

In response to a survey, the U.S. Agricultural Attachés in 14 major markets—including the countries of the European Community (less Ireland), Spain, Poland, Yugoslavia, Japan, Taiwan, the Republic of Korea, and Mexico—assessed 1978/79 import requirements for soybean and meal based on current price assumptions.

Projections show combined imports of soybeans and meal at 24.9 million tons (soybean meal equivalent—SME), up 1.3 million tons or 5.7 percent above the estimated 1977/78 volume.

In the Soviet Union, although it appears that the USSR's protein availabilities from its 1978 oilseed harvests may be up slightly, animal numbers are up by a larger percentage. Given the apparent stock depletion in 1978, sharply increased quantities of some protein ingredients must be imported to maintain meal feeding rates in 1979.

As animal numbers continue to grow, meal demand should expand. While it is possible that synthetic protein feed production facilities may be expanded, the cost of these ingredients is more than that of vegetable protein meals.

Soviet total meal production for 1979 is estimated at 5 million tons, SME, with imports projected at 1.25 million tons, SME, compared with 0.75 million tons, SME, in 1978. During 1976 and 1977, Soviet imports averaged 1.33 million tons, SME. According to Soviet data, soybean imports during 1976 and 1977 averaged 1.57 million tons.

The major foreign producers/exporters of soybeans are Brazil and Argentina; in 1979, soybean output in these countries is estimated to account for 12.3 million tons of meal and 2.7 million tons of oil.

Although this is only a small portion of world meal and oil production, these countries will export such a large proportion of their output that the gain—if it materializes—will represent a substantial part of the gain in world exports.

Since these crops will not be harvested until February-April 1979, a sizable share of the assumed gain in world output is dependent on growing conditions in coming months.

India's combined vegetable oil production in 1979—based on current estimates of 1978 harvests—will increase slightly from the 1978 level. Despite the projected increase, per capita availabilities are less than those of last year. Over the long term, given continued availabilities of foreign exchange, India's vegetable oil imports have no way to go but up.

Despite increased exports of copra and coconut oil from the Philippines, coconut oil prices have been very strong in relation to other oils. Part of the price strength reflects Indonesia's coconut oil demand outrunning supply. Other factors contributing to higher prices include reported increases in exports of coconut oil to the USSR and anticipation of lower 1979 exportable supplies in the Philippines because of reduced rainfall.

Many who were pessimistic about the glut of palm oil that made inroads into traditional U.S. markets were surprised a few months ago when palm oil prices moved at a premium to soybean oil.

Although little concrete information is available on the People's Republic of China (PRC), it appears that no significant gains have been made by the PRC in domestic fats and oils production in recent years. Estimated fats and oils production for 1978 is placed at 2.75 million tons and forecast at 2.82 million tons in 1979.

Given the low level of per

1978/79 World Oil and Meal Situation

Current 1978/79 forecasts of oil and meal production include the following key crop estimates:

- U.S. soybean production in 1978—at 48.8 million metric tons (October estimate)—was up 825,000 tons, or 1.7 percent, from the revised 1977 volume.
- U.S. sunflowerseed output in 1978 is estimated at 1.7 million tons—up more than 25 percent from that of a year ago.
- U.S. cottonseed production for 1978—indicated at only 3.8 million tons—was down about 1.2 million tons, or 24 percent, from the 1977 amount.
- Canadian rapeseed production is currently estimated at 3.15 million tons, 60 percent more than the 1977 output.
- India's 1978 peanut crop is estimated at 5.8 million tons (inshell basis), compared with the 6.1 million-ton crop estimate of 1977.
- Senegal's 1978 commercial peanut crop is believed to be about 870,000 tons, compared with 345,000 tons in 1977.
- The USSR's sunflowerseed crop in 1978 is estimated to be roughly 6.0 million tons, slightly above the 5.9 million tons harvested in 1977.
- Brazil's 1979 soybean crop is forecast at 13.5 million tons, 3.5 million tons above the drought-reduced 1978 volume.
- Argentine soybean production for 1979 is placed at 3.2 million tons, up 600,000 tons from the 1978 estimate.
- West Malaysia's 1979 palm oil output is forecast at a record 1.85 million tons, up 23 percent from the below-trend 1978 estimate.
- In calendar 1979, Philippine copra production is forecast to decline to 2.35 million tons, down more than 10 percent from the record 1978 estimate.
- World pressed olive oil output in 1978/79 is estimated at 1.5 million tons—up 12 percent from the 1977/78 level.
- Aggregate animal fat output in calendar 1979 is expected to decline slightly from the record 1978 volume of 14.6 million tons.
- Peru's calendar 1979 fishmeal and oil output is forecast to continue roughly unchanged from the 1978 estimates of 485,000 tons and 100,000 tons, respectively. Catch restrictions reportedly must continue in order to rebuild fish stocks. □

capita oil output in the PRC, exports have been limited to small amounts of edible soybeans and peanuts. Imports, on the other hand, have grown significantly. In calendar 1977, the United States exported 47,000 tons of soybeans and 62,000 tons of oil to the PRC; Brazil exported 309,000 tons of beans and 73,000 tons of oil. Recent purchases of soybeans and oil (57,000 tons and 80,000 tons, respectively) have been confirmed.

In world oil and meal markets, there are a few things one should be watching for in 1979:

- Possible changes in growing conditions that could impact on the upcoming soybean harvest in Brazil and Argentina.
- Fluctuations and the general trend in the value of the U.S. dollar compared with key foreign currencies.
- Reports of Soviet purchases of soybeans.
- The volume of soybean oil exports moving to key countries, such as India and the PRC.
- Accelerated expansion in Malaysian palm oil output, which could result in palm oil prices cheapening in relation to soybean oil and reducing U.S. exports to some foreign markets.
- A likely reduction in Philippine exports of copra and coconut oil, which could mean these products will continue to be expensive relative to other oils.
- Indications of possible policy changes in the European Community, which could impact on U.S. exports of soybeans and meal to that market. Stocks of dried milk powder are down, but still large. Butter stocks are building.
- Continued expansion in oilseed crushing capacity in the importing countries that could skew the future growth in U.S. exports more toward oilseeds rather than products.
- Continued gains in vegetable oil demand in major petroleum-exporting countries.
- Possible upward adjustment in petroleum prices by the OPEC countries.
- Possible weakening of oil prices in relation to meal prices if U.S. soybean crushings outrun oil disappearance.
- Skewed distribution of U.S. exports with heaviest movements expected in the first half of the season.
- Meal prices continuing to be rather expensive compared to those of corn in the United States, reflecting high European grain support prices that put a floor under world meal prices.
- Possible indications of improvement in the Peruvian fishing situation from the current low volume.
- Given current price relationships, U.S. farmer planting intentions—to be reported in January—would likely show increased soybean plantings. □

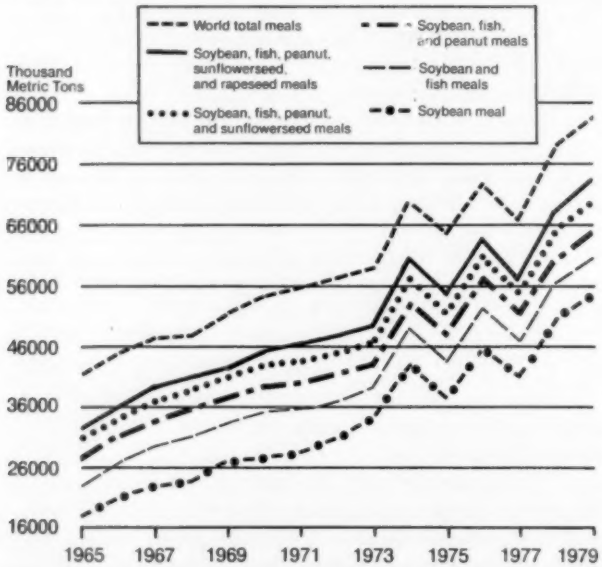
World Production [1] of Meals and Oils, 1974-79

[In million metric tons]

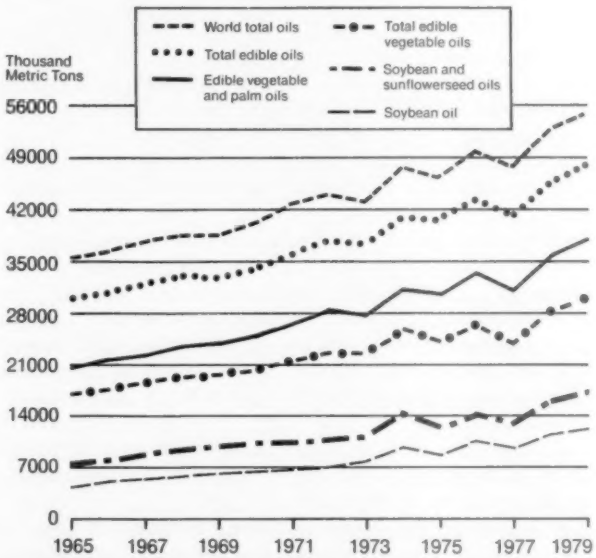
Item and year	United States	Foreign	World	Soybean	Other
Meals [2]:					
1974	34.10	35.58	69.68	42.86	26.82
1975	27.13	37.21	64.34	37.39	26.95
1976	33.60	39.20	72.80	45.71	27.09
1977	28.46	38.01	66.47	41.01	25.46
1978 [3]	39.04	39.73	78.77	50.37	28.40
1979 [4]	39.33	44.37	83.70	54.47	29.23
Oils [5]:					
1974	12.36	35.22	47.58	9.54	38.04
1975	10.13	36.09	46.22	8.33	37.89
1976	12.13	37.60	49.73	10.18	39.55
1977	11.16	36.62	47.78	9.13	38.65
1978 [3]	13.99	38.69	52.68	11.21	41.47
1979 [4]	13.87	41.13	55.00	12.13	42.87

[1] Calculated from assumed extraction rates applied to that portion of each crop available for crushing and/or export and not actual crush. [2] Includes soybean, fish, peanut, sunflowerseed, cottonseed, linseed, rapeseed, sesameseed, copra, and palm kernel meal expressed in terms of 44 percent soybean meal. [3] Estimate. [4] Forecast. [5] Includes animal, vegetable, and marine fats and oils.

World Meal Production, 1965-79



World Oil Production, 1965-79



Pakistan Ups Farm Sales To the Middle East

By M. Arif Mahmood

Soon after its civil war of 1971 and subsequent loss of a major farm market in East Pakistan—now Bangladesh—Pakistan began an intensive search for new agricultural outlets. Among its "finds" was a widening market in the Middle East and North Africa, where skyrocketing petroleum revenues were revolutionizing dietary habits and boosting demand for all types of farm products.

Since then, Pakistan has become firmly entrenched as a U.S. competitor in the Middle Eastern market for rice, while making headway in other commodity areas also. A growing number of Pakistani workers involved in development projects of the Arabian Penninsula has strengthened these ties.

Demand from the region has risen hand in hand with exploitation of petroleum and the 1973 increase in the price of oil.

Egypt and Iran have been producing petroleum since the beginning of this century. Saudi Arabia, Iraq, Bahrain, Kuwait, Qatar, and Turkey started their first commercial production during the 1940's and 1950's. Then, in the past 2 decades, Libya, Oman, Syria, and the United Arab Emirates emerged as important producers.

Simultaneously, populations—although still sparse in many Arabian Penninsula nations—have expanded rapidly with the arrival of thousands of foreign workers to participate in economic development projects. While rising incomes have stimulated changes in consumption patterns, agricultural production in much of the region has remained small-scale and sluggish.

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These developments together have resulted in a widening import gap.

To tap this demand—plus compensate for trade losses incurred after the 1971 civil war and the resulting partition of Bangladesh—Pakistan has focused its market development efforts on the Middle East and North Africa. A number of trade missions have been sent to the Arabian Penninsula, and agreements have been concluded for the export of rice to Saudi Arabia, Kuwait, Libya, Sudan, and other countries of the region.

Since then, exports to the region have risen dramatically. During the 1960's, shipments to the region averaged only $32.8 million a year, or 5.6 percent of Pakistan's total trade. By the 1970/71-1975/76 period, shipments to the region were averaging $335.3 million a year, or 16.7 percent of total trade, with year-to-year increases of more than 60 percent.

In 1977/78, this trade leveled off at around $300 million, with agricultural exports accounting for nearly half the total. Iraq emerged that year as the leading market for Pakistani agricultural exports, taking $47.7 million worth; followed by Saudi Arabia, $31.2 million; Dubai, $28.7 million; and Kuwait, $17.1 million.

Principal agricultural exports to these countries are rice, fruits and vegetables, spices, tobacco (mostly manufactured), and small quantities of raw wool. Frozen poultry and raw cotton also have been shipped, but on a limited basis.

Rice became Pakistan's leading foreign exchange earner in the 1970's, in large part because of strong demand from the Middle East. High-quality basmati rice has been a particularly strong export earner, with restraints imposed by production the only factor limiting trade.

This basmati rice accounts for over 90 percent of Pakistan's total rice sales to the Middle East, with competition in the market limited to that from long-grain U.S. rice.

In 1978, Pakistan shipped 277,000 metric tons of rice worth $120 million to the Middle East. The major markets are Iraq (taking 103,-968 tons in 1978), Saudi Arabia (74,033 tons), Kuwait (35,595), and Dubai (39,-694). Together, the four imported about $109 million of Pakistani rice in 1978.

As far as other grains are concerned, Pakistan so far has failed to gain a significant share of the market, with barley the only export of note. Barley shipments in 1977/78 totaled 11,765 tons worth $1.9 million and went primarily to Saudi Arabia, Kuwait, and Dubai.

Conversely, Pakistan exports a large variety of fresh and dry fruits and vegetables to the Arabian Gulf—some $17.8 million worth in total during 1978. These include citrus fruit, bananas, mangoes, dry fruits, potatoes, onions, and chillies.

As with rice, fruit exports have been limited not by demand constraints but rather by lack of exportable surpluses in Pakistan. At times, the domestic market has experienced severe shortages of certain fruits and vegetables with prices rising to abnormal levels.

Value of spice exports to the Arabian Gulf also has risen from practically nothing in 1971/72 to $59,000 in 1977/78. Dubai, Saudi Arabia, Kuwait, Qatar, and Bahrain are the main importers of Pakistani spice.

Pakistan likewise has been promoting tobacco exports in the region, but with limited success so far—some $28,000 worth was shipped to the Middle East in 1978.

Pakistan has the potential to capture an even larger share of the Middle Eastern market for its rice, fruits and vegetables, spices, meat, tobacco, sugar, and sugar products. However, so far supply problems have restrained export sales. Volume of production at times is insufficient even to meet domestic requirements, which are increasing by 3-5 percent annually.

To solve the problem, Pakistan will have to make tremendous improvements in its agricultural productivity—and that will require massive resource mobilization, improvement in production techniques, more rational pricing, new agricultural policies, and improved rural infrastructure.

Indeed, some suspect that if agricultural researchers and planners fail to identify—and solve the production problems—Pakistan will have to cease exporting to the Middle East so it can concentrate on satisfying the burgeoning domestic demand. □

Spain Seeks To Expand Foreign Wine Markets

By George J. Dietz

Spain's wine industry, hit by rising costs and increasing foreign competition, is pressing expansion of its export markets. The overall strategy includes stepped-up promotional activities and emphasis on bottled wine over bulk shipments.

Spain's centuries-old wine industry, in recent years hit by sharply rising costs and increasing competition in world markets, is moving to expand its exports by boosting promotional activities and emphasizing bottled wine over bulk shipments.

Wine exports in calendar 1977 were 551,263,000 liters valued at about $271 million, compared with 607,176,000 liters valued at about $251 million in 1976. These were Spain's two best years, indicative of the changes that are occurring.

Some forces now at work that may alter Spain's wine industry include:

- Spain's desire to join the European Community (EC), which already has large wine stocks and production capacity.
- Heightened international competition, and the comparative decline in popularity of fortified wine (such as sherry) and the rising popularity of table wine.
- Greater potential export opportunities for table wines because of higher prices in France and Italy—two main competitors.
- New growing, production, and marketing techniques.
- A shrinking supply of hand labor in grape production, a labor-intensive industry.

Spain has a system of controlled appellations of origin, similar to that of France. The largest producing districts are Alicante, Valencia, Rioja, Utiel Requena, and Tarragona.

The immediate emphasis by Spain's wine exporters is on sales of table wines especially to the United States, Canada, and Venezuela. Exports from the Rioja area continued to dominate the table-wine export market, accounting in 1977 for about 27.2 liters valued at about $17 million. Navarre and Tarragona are next in importance.

Notwithstanding the table-wine sector's expanding contribution to Spain's foreign-exchange earnings, the country's star export earner continues to be sherry. However, sherry exports in 1977 were 130.3 million liters worth about $120 million—appreciably less than 1976 volume and value because of a reduction in bulk shipments.

The long-range trend is toward export of wine in bottles and away from bulk shipments. Bulk sherry exports in 1977 were 20 percent lower than in 1976, for example, while exports of bottled sherry rose by a substantial 27 percent during the same period.

The United Kingdom continues to be Spain's principal and traditional market for sherry, followed by the Netherlands, West Germany, and the United States.

Sherry exports to the United States during the past 3 years have risen steadily in value from $5.6 million to $6.8 million, even though foreign exchange revenues in the second half of 1977 were adversely affected by devaluation of the peseta.

Spain has developed a substantial market in the Soviet Union for bulk white table wine, and exports in this category rose by almost 30 percent from 1976 to 1977.

However, total wine exports to the USSR were only 58.2 million liters in 1977 compared with 80 million liters in 1976, while value declined from $10.7 million to $10.4 million—a decrease attributed to sharp competition from France and Argentina in other wine categories. Spain's wine exports to the USSR have been largely through barter arrangements, which include a wide selection of products.

Exports of Spanish sparkling wines rose from 3.4 million liters in 1976 to 4.3 million liters in 1977. A strong and growing market for these wines has been developed in Eastern Europe.

Spain's wine export capability and potential are being closely watched by French and Italian wine growers and by officials of the European Commission.

The EC, which is struggling with a heavy surplus of wine, has adopted measures to restrict the planting of new vines.

The Commission also has proposed a program of incentives for elimination of lower quality vineyards. So some adjustments in Spanish production will inevitably be a necessary condition of membership in the EC.

But whether or not Spain joins the EC, it is clear that the nation is likely to become an increasingly formidable competitor in the world wine market.

Spain clearly has the potential for increased production. In several of the country's important wine regions, grape area could easily be expanded. Intensive growing techniques and more extensive use of irrigation also could be employed to increase productivity.

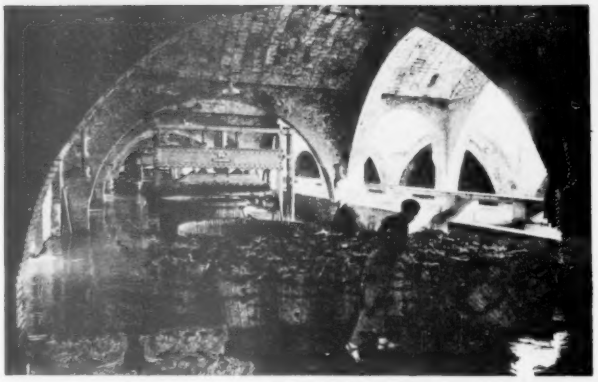
However, the Spanish Government at present is reluctant to authorize any extension of irrigation for grape production because of the threat of wine surpluses that could result from any increased production.

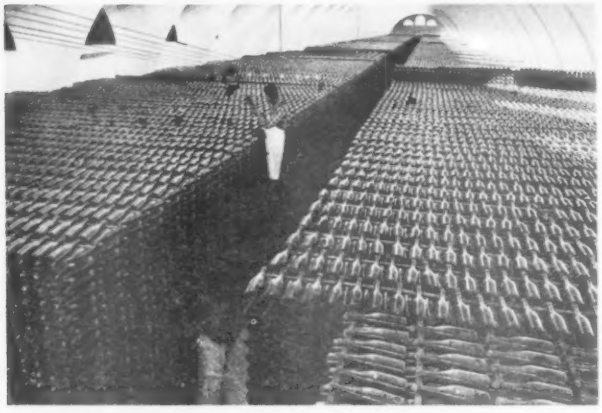
The Government, recognizing the cost-price squeeze that is pinching the industry, in mid-1978 granted a 43 percent price increase for wine producers—the highest among authorized price increases for 19 agricultural products.

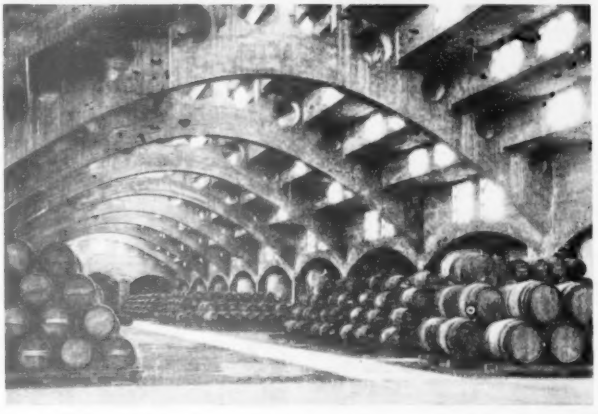
However, the Government keeps a close watch on domestic consumer prices, and has threatened to import a substantial quantity of Argentine bulk wine to hold down prices.

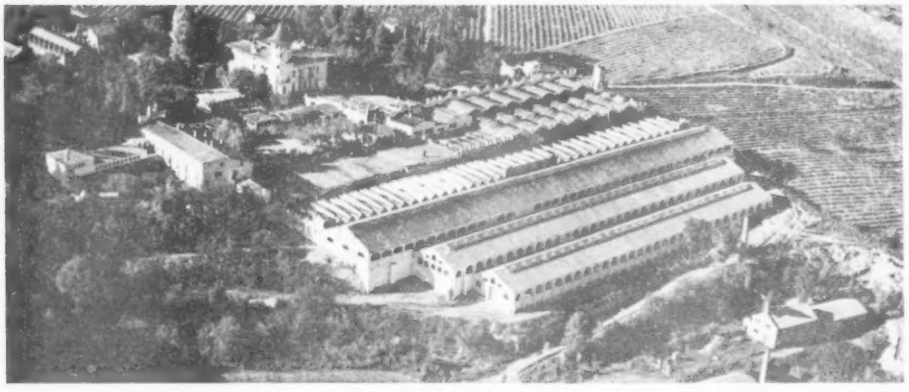
Spain's grape growing and wine production industries are still highly fragmented except for a few large and well-organized companies and coopera-

Mr. Dietz, U.S. Agricultural Attaché in Caracas, previously was Attaché in Madrid.









Clockwise from top left: Spanish vineyard workers bring harvested grapes to collection point. At the winery, grapes ready for the press. Wine aging in casks. Aerial view of a modern Spanish winery. Storage room for sparkling wines. Spain is likely to become an increasingly formidable competitor in the world wine market. (Casa Codorniu photos.)

tives, and there is some resistance among producers to large agribusiness firms taking over the production and merchandising of wine from smaller firms of long tradition.

Despite these objections, several major producing enterprises in recent years have moved into the export field with promotional expertise and are in the process of developing greater export capacity.

These enterprises have invested substantial amounts of capital in the modernization of wineries and such support activities as grape collection. Some important changes in growing practices and production techniques have been achieved, but in general little progress has been made in developing foreign markets.

Traditionally, Spain has pursued a low-key marketing attitude in export merchandising its table wines. It has not begun to maximize the export earning potential of its wines, many of which are widely recognized to be of excellent quality.

Spanish wines have long been underpriced and undervalued in the international marketplace, according to trade sources. However, intensive market development projects for sherry and Rioja wines are now in effect in the United States. Until recently, only relatively small budgets were in effect for advertising and market development of these wines.

The only apparent Spanish Government financing for wine promotion is in support of trade teams traveling abroad, participation in foreign trade fairs, and some foreign promotions sponsored by Spain's chambers of commerce. □

Soviet Union Pegs Record Grain Crop At 235 Million Tons

A record Soviet grain crop of 235 million metric tons was announced by General Secretary Brezhnev on November 27. The large 1978 harvest, exceeding by 5 percent the previous high of 223.8 million tons in 1976, was primarily due to average yields being about 3 percent greater than the previous record.

The latest Soviet grain announcement followed a preliminary harvest figure of more than 230 million tons proclaimed by Premier Kosygin on November 4.

Although it was a bumper crop, the Soviets are still expected to import sizable quantities of grain in 1978/79.

The 1978 grain crop was grown under weather conditions that were quite unusual for the Soviet Union—unusual in that soil moisture supplies ranged from adequate to abundant almost everywhere. The only exceptions were a relatively small area in northern Kazakhstan and a part of Siberia that experienced drier conditions.

This year's grain harvesting was carried out under very different weather conditions in the European and Asiatic parts of the country. Cool, rainy weather resulted in a delayed harvest in much of the European USSR. Precipitation was much above normal during harvesting over most of the Ukraine and over the northern half of European USSR.

On the other hand, rainfall was below normal during harvesting in the Central Black Soil Zone, the North Caucasus, and the Volga regions in the European part of the Soviet Union. In Asiatic USSR, precipitation also was well below normal during harvesting with the result that cutting and threshing of the grain in Kazakhstan and Western Siberia were carried out at a faster-than-normal rate.

Dockage-waste in the 1978 Soviet grain crop is estimated at 11 percent, or about 26 million tons. This estimate is somewhat above the 10 percent average during 1963-73, but is well below the 14-15 percent estimates for the 1973, 1976, and 1977 crops. The above-average 13 percent dockage-waste estimate for the grain harvested in European USSR in 1978 was largely offset by a below-average 8 percent estimate for that in Asiatic USSR.

These estimates are derived by comparing actual precipitation in millimeters during harvesting with an average. Above average precipitation during harvesting results in a dockage-waste estimate higher than 10 percent and below average precipitation in an estimate less than 10 percent.

Post-harvest losses of grain are cause for some additional increase in the waste factor in 1978. A number of reports from official Soviet sources indicate severe difficulties are being encountered in storing and handling the large crop.

Although the percentage of dockage waste is only slightly above normal, a significant portion of the crop is of relatively poor quality because of wet conditions experienced during harvesting over most of the Ukraine and northern European USSR.

However, much of the grain in the North Caucasus, Volga, Urals, and West Siberian regions and in Kazakhstan reportedly was of good quality. This general evaluation of grain quality is based upon an analysis of the relative length of time that the grain was lying in windrows—the time elapsed between swathing of the grain into windrows and it being picked up and threshed.

The 1978 grain crop is almost equal to the estimated utilization during 1978/79 and should also permit some buildup in stocks. Feed use of grain, estimated at 125 million tons, accounts for about 55 percent of domestic usage. Food use of grain—the second most important usage—is estimated at 47 million tons. Seed dockage and total waste have been estimated at 29 million and 27 million tons, respectively. Finally, only about 4 million tons of grain are used for industrial purposes.

Soviet grain imports during 1978/79 are expected to continue high—but less than the 18.6 million tons imported in 1977/78 (July-June)—even though domestic production in 1978 was almost equal to the estimated 1978/79 utilization. The USSR is obligated

FAS To Show U.S. Foods in U.K. International Event

The Foreign Agricultural Service, through the U.S. Agricultural Attaché in London, soon will circularize U.K. agents handling U.S. food items for the British market to invite them to exhibit U.S. products in an FAS exhibit area at the first International Food Exhibit.

This is a new all-trade show that makes its debut March 12-16, 1979, at the Grand Hall, Olympia, London.

The FAS area will measure about 110 square meters. Adjoining it will be a display of the Illinois State Department of Agriculture. The FAS U.K. agent exhibit will include products from all over the United States. The Illinois exhibit will be devoted to products grown and/or processed in that State. Between the two, a wide spectrum of U.S. food products will be on display.

Facilities available to the U.K. agent exhibitors will include a display table, freezer space, if required, listing in an exhibitors' catalog, assistance in following up trade leads, as well as other traditional exhibit services.

Although the sales pull of a new international food exhibit such as the Olympia is largely untested, the exhibit will likely prove to be one of the major food events in the country in future years. FAS has, for some time, participated in international food, agricultural, and livestock exhibits in other countries and participants have developed

to purchase 3 million tons of U.S. wheat and a like amount of U.S. corn under the U.S.-USSR grain purchase agreement. In addition, the Soviets will likely purchase some wheat from such traditional suppliers as Canada and Australia.

Finally, the Soviets are expected to purchase more than the minimum amount of U.S. corn. Also, such grain imports would permit a corresponding buildup of carryover stocks with some good quality Soviet wheat.

The late 1978 spring, followed by a cool, rainy growing season, and the rainy harvesting weather adversely affected fall seeding and plowing. Fall seeding apparently fell about 4 million hectares short of plan. Thus, the area sown to winter grains this year was probably about 4 million hectares less than the 37 million hectares seeded in both 1976 and 1977.

The major problem area for fall seeding apparently was in the northern half of European USSR, a major winter rye area, so the biggest seeding shortfall was probably in winter rye rather than winter wheat. By November 1, a total of 20 million hectares remained to be plowed for seeding to crops next spring, 17 percent of planned area. Failure to get the land plowed in the fall adds to the spring workload and reportedly has an adverse effect on yields.—*By Fletcher Pope, Project Leader, Soviet Union Situation and Outlook, Foreign Demand and Competition Division, ESCS.* □

strong sales leads as a result of such activity.

One factor recommending participation in the Olympia exhibit is that U.K. consumers are in a good position to buy foreign products. Personal purchasing power is rising, augmented by cuts in income taxes and rises in real wages.

Furthermore, sales of petroleum from the North Sea oil field are expected to bring large sums of foreign exchange into Britain and enhance the prospect for sales of foreign goods, including those of U.S. prepared foods.

Also, the dollar's weakness—compared with the pound—gives British consumers another reason for buying U.S. foods.

U.K. consumers have expressed interest in U.S. processed poultry, dehydrated foods, citrus juices, soy protein, fresh fruits and vegetables, canned and frozen items, wines, and seafoods.

In addition, there is a potential market for new-to-market products such as ethnic foods, frozen meals and desserts, industrial food components, some spices and condiments, certain fruit and vegetable juices, variety meats, pouch-packed foods, and other easy-to-prepare items.

In calendar 1977, U.S. exports of all agricultural products and of processed foods to the United Kingdom were larger than in the past. Sales of U.S. processed foods to that country were worth $94.3 million, compared with an average of about $80 million during each of the previous 5 years. Total shipments of U.S. agricultural products to the United Kingdom in 1977 amounted to $879.5 million, up from $698.9 million the previous year.

In 1977, sales of meat offal to the United Kingdom were valued at $23.2 million and were the most important items in the consumer-ready food category. Other individual product lines last year, with values, were poultry and products, ($4 million), nuts ($15 million), dried fruit ($8 million), fresh fruit ($9 million) and preserved vegetables ($8 million).

The values of all categories of processed foods, except offals and poultry and products, were higher in 1977 than in 1976.

In fiscal 1978, U.S. agricultural exports to the United Kingdom were valued at $938 million (excluding transshipments), 3 percent greater than in fiscal 1977.

The U.K. International Food Exhibit is only one of a continuing series of overseas promotions carried out by FAS.

Firms or individuals interested in participating in FAS food promotion activities overseas should write to the Director of the Export Trade Services Division, FAS, Washington, D.C. 20250; telephone (202) 447-6343. □

Australia Ups Wheat Advance Payment to $87 Per Ton

The first advance payment to Australian wheat growers for the current season has been raised 14 percent to the equivalent of about $87 per ton ($2.37 per bushel) from the level that prevailed for the past two seasons.

This increase by the Australian Wheat Board could represent an incentive to producers to maintain or increase wheat plantings in the face of record production of more than 15 million tons this year.

Because of handling, internal transportation, and overseas marketing difficulties, the carryout may exceed 2 million tons, but producers nevertheless will receive the initial payment for this wheat that remains unmarketed by the Australian Wheat Board.

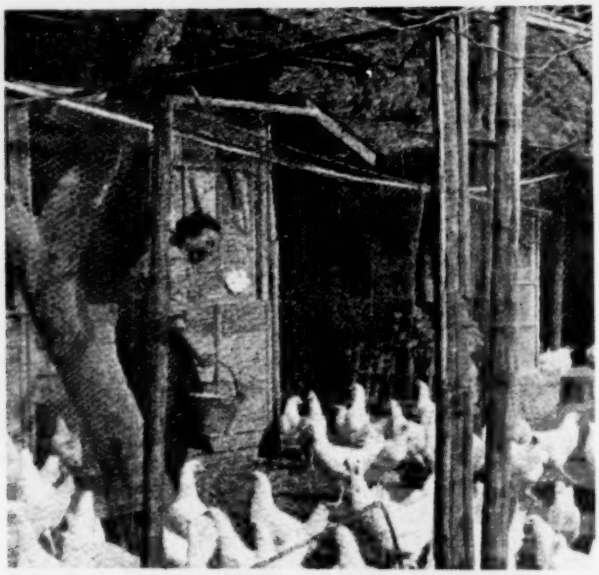
Under the Australian system, the Board must accept all wheat delivered by farmers and must pay the initial payment, even though the Board may not be able to market all of this wheat in the current season.

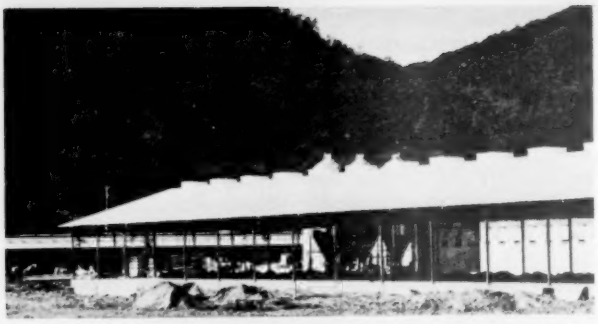
The producer return in Australia is made up of a first, interim, and final payment, less individual rail freight, board expenses and handling charges. The final payment is often lagged by up to 4 to 5 years, depending on the Board's final disposition of a particular season's crop or pool.

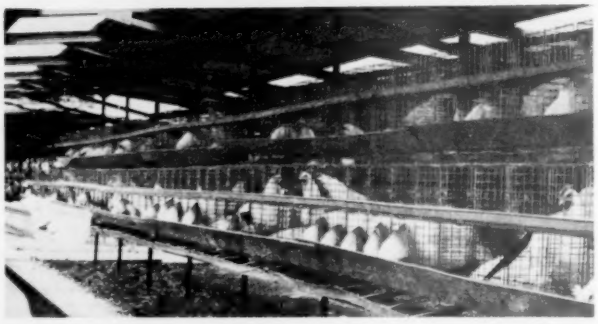
For the 1976/77 season, the producer return is estimated at about $91 per ton less individual costs, or just slightly higher than the first payment for the 1978/79 season. Final payments from the 1976/77 pool are not expected until late 1979.

The Ministry for Primary Industry said the $87-per-ton advance payment equaled the price offered by private domestic traders before the Board's full control over domestic marketings of the Australian wheat crop, effectively banning private interstate trade.

Interstate trade by farmers, mainly for feed in the New South Wales–Queensland and New South Wales–Victoria border areas, is believed to have been about 300,000 to 500,000 tons in most years. □







Clockwise from above: Henhouse on small Japanese farm; existing commercial poultry buildings housing 135,000 layers at Fukuoka, Japan; and interior view. Japan's broiler output rose 13 percent in 1978.

Japan's Poultry Meat Use To Slacken, But Imports From United States To Stay High

Japan's poultry meat consumption growth rate in 1979 will rise at a slower pace than the high, 15-percent increase seen in 1978. Imports will grow at a rate near the 1978 pace and the United States will remain that country's primary supplier of poultry meat and some egg products.

In 1978, the United States provided more than 60 percent of Japan's poultry meats and egg-albumen imports.

According to data gathered in surveys by the Office of the Prime Minister, monthly household purchases of chicken meat during the first half of 1978—based on an average household of 3.8 persons—climbed 9 percent to 6.15 kilograms, compared with the level in the same 6-month period of 1977.

This rise is an indication of a shift away from higher priced fish to poultry meat. Another factor is that poultry meat is cheaper than pork and beef.

Compared with U.S. per capita yearly poultry meat consumption of about 25 kilograms, Japan's per capita consumption—some 9 kilograms—is a measure of the potential that market offers for higher U.S. sales. This indication is strengthened by the trade belief that processing and institutional use of poultry meat, the major uses of imported poultry meat, will continue to rise at a high rate for some time to come.

Supported by strong processing and institutional demands for heavier U.S.-type broiler parts, imports of poultry meat during the January-June 1978 period increased 5.9 percent over the same 1977 period to 26,928 metric tons, of which the United States supplied nearly 69 percent.

Of total U.S. imports for the 6-month period, chicken accounted for 18,287 tons, turkey meat for 203 tons, and other poultry meat, 57 tons.

The United States was the only turkey meat supplier during the period, but these imports were 33 percent lower than in the same period of 1977, mostly because of a softening in demand by institutions. Processed turkey meat, a sizable share of U.S. turkey sales, was not reflected in the numbers and trends as Japanese import data do not separate these items from their processed meat import category.

With an increase in demand for poultry meat expected at yearend, 1978 imports from all sources are expected to hit 50,000 tons for chicken (a rise of 8.6 percent) and 550 tons for turkey (20 percent lower), compared with shipments in 1977.

As Japan's economy strengthens and domestic demand shows improvement, chicken imports in 1979 are anticipated to rise 5 percent, and turkey recover by 9 percent from the reduced 1978 base. The U.S. share of the market during 1979 will depend on numerous factors, especially price and availability, but the United States should maintain its 1979 market share at about the 1978 level.

Japanese broiler production for 1978 is estimated at 890,000 tons (ready-to-cook basis), up 13.3 percent from the previous year's level. The outlook for 1979 is for the rate of increase to fall off somewhat. Behind the 1978 production rise was

Based on a dispatch from the Office of the U.S. Agricultural Attaché, Tokyo.

greater output by large-scale producers who are able to maintain favorable profits despite lower selling prices because of economies of size and lower feed prices than in earlier years.

In 1977, more than 16 percent of the broilers marketed—88.9 million—were produced by units selling more than 300,000 birds a year.

Primarily based on the expected improvement in the economy—broiler production should rise 8 percent in 1979 to 961,000 tons.

During the first 6 months of 1978, Japan imported 27,791 tons of egg products, 19.1 percent above the level of the same period a year earlier. Liquid albumen imports nearly tripled to 10,410 tons, with the United States providing 64.2 percent of the total.

Industry sources attribute this growth—which started in the second half of 1977—to the increased use of egg albumen as a joiner or partial substitute for fish paste in the manufacture of kamaboko, a traditional Japanese food, and to a lesser degree in the manufacture of noodles.

U.S. liquid egg albumen is highly favored for these uses because of its high quality, ready availability, and competitive price.

Imports of other types of processed eggs have shown more modest gains, but the total for all of 1978 is expected to be close to a record 55,348 tons.

With Japan's egg production expected to be up 1 percent and domestic processors trying to improve the quality of their product, total 1979 imports of egg products may dip slightly from the 1978 record, but they still should be about 30 percent higher than the 1977 level.

Although some minor egg producers, organized through cooperatives, continue to urge the Government to cut egg imports, trade sources indicate that the Ministry of Agriculture, Forestry, and Fisheries has placed no new restrictions on egg imports. However, the Ministry has, in recent years, issued a number of administrative guidances to both importers and processors, and could issue new ones at any time.

Agriculture Ministry statistics show a total layer flock, as of February 1, 1978, of 123.8 million laying hens and 33.0 million layer chicks, 3.2 percent higher than their combined total a year earlier.

Mainly because of this and the trend to larger, more efficient producing units, egg production during the first 6 months of 1978—973,617 tons—was 4.4 percent higher than the 932,632 tons registered during the same period a year earlier. Shell egg production for all of 1978 is seen reaching a level about 4 percent higher than the 1.88 million tons (31,307 million pieces) for 1977.

The Government is trying to limit growth of large-scale producers, while they strengthen the smaller scale producers. Large-scale producers must limit the number of their layers and/or receive permission to expand their facilities.

To aid the small farmers, the Government has raised the number of layers they can have from 3,000 to 5,000 without being limited by the Government's growth regulations, as well as becoming eligible for certain assistance programs already in effect.

However, it is believed that since the larger layer producers tend to pay closer attention to market movements than do smaller ones, they will be able to retain sizable production and market shares despite the growth restrictions. □

Italy's '78 Fruit Outturns Slump

Italy's 1978 fruit production, retarded by unfavorable weather during the setting stage, is markedly below 1977 levels. Citrus output is down sharply; apple and pear outturns declined moderately from year-earlier levels.

Estimated production in metric tons of citrus fruit in 1978 (with percentage decline from 1977 levels in parentheses): Oranges, 1.4 million (12.4); mandarins, 210,000 (13.6); clementines, 95,000 (12.8); and lemons, 600,000 (25).

Apple production in 1978 is estimated at 1.77 million tons, 3.1 percent below the 1977 level, and the pear crop at 1.14 million tons, off 3.9 percent.

The size of the European Community's total apple crop —about 1 million tons larger than the 1977 outturn—is hindering Italy's apple exports.

On the other hand, Italy's imports of apples from France, usually negligible, have been increasing.

The market for pears remains fairly strong, and exports of Italian pears during the 1978/79 season could reach the 1977/78 level of 210,000 tons.—Based on dispatch from Office of the U.S. Agricultural Attaché, Rome. □

Foreign Agriculture

Vol. XVII No. 2
January 8, 1979

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The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

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HFAA Reports U.S. Holstein Cattle Favored in Europe

U.S. Holstein cattle are well on their way to becoming the most important imported breed of cattle being used to upgrade European dairy herds—particularly in Eastern Europe—according to two officials of the Holstein-Friesian Association of America. The two men, W. R. Brooks, President of the organiation, and Robert H. Rumler, Executive Chairman, expressed their views after completing consultation visits to West Germany, Romania, and Hungary.

In recent years, Hungary has been the most important East European customer for U.S. Holstein breeding cattle. U.S. shipments of this breed to West Germany have been more modest, and sales to Romania are still in the discussion stage, but hopes are high among U.S. breeders that trade will get underway soon.

In 1977, about 7,200 U.S. Holsteins—of a European total of 9,587 head—were inspected for export to Hungary. A year earlier, the total inspected for shipment to Hungary was 1,530. West Germany took about 35 head in both 1976 and 1977.

In addition, the number of U.S. Holsteins inspected for export to other East European countries in 1977 (with 1976 data in parentheses), was: Yugoslavia 659 (28), the German Democratic Republic 197 (0), the Soviet Union 103 (178), Poland 14 (61), Bulgaria 0 (366). The Soviet Union also bought four Brown Swiss in 1977 and 40 in 1976, and Bulgaria bought 21 in 1976.

In the first 6 months of 1978, exports of dairy breeding cattle (including U.S. Holsteins) to the East European countries were: Bulgaria, 20 head; Hungary, 293 head, and Yugoslavia, 728 head. In addition, 285 head of dairy breeding cattle reportedly were shipped in the last half of 1978 to the Soviet Union and the German Democratic Republic.

Brooks and Rumler reported that Romanian dairymen in the plains near Bucharest and in the Carpathian Mountains expressed personal beliefs that continuing growth of milk production in these regions could depend largely on continuing imports of U.S. Holstein. Farmers apparently are impressed by the high milk production levels attained by U.S. Holsteins.

In Hungary, the men discussed with agricultural officials the advantages that would flow from importing U.S. Holstein cattle.

Other talks were held with officials of the National Center of State Farms, the National Council of Agricultural Cooperatives, and the National Breeding and Feeding Inspectorate.

The Americans also visited several State farms to observe Hungarian feeding, breeding, and milking procedures.

In talks with Dr. Istvan Zelenka, an official of Terimpex, the Hungarian agency that handles cattle imports, Brooks and Rumler learned that since 1972 Hungary has imported about 22,500 head of U.S. Holstein and European Friesian cattle, more than 66 percent of the total (15,056) from the United States.

The two Americans, during their visit to West Germany, learned that more than half of the 110 Holsteins exhibited at a farm show in Schleswig-Holstein, were of U.S. bloodlines.

They also discovered that about 30 percent of the females shown were daughters of high-quality Holstein bulls imported from the United States.

At another dairy show at an artificial insemination center in Meckingsen, female offspring of 10 different sires were exhibited. Eight of the sires were from the United States. In fact, more than half of the Holstein animals exhibited at the show had been bred from U.S. Holstein bloodlines.

Many West German dairy farms maintain breed records that list the percentage of U.S. Holstein blood in each animal on the farm. This alone indicates the farmers' strong interest in U.S. Holsteins, the men reported. □